

## **Badulla Pradeshiya Sabha**

### **Badulla District**

#### **1. Financial Statements**

##### **1.1 Presentation of Financial Statements**

The financial statements for the year under review had been presented to audit on 31 March 2014 and the financial statements for the preceding year had been presented on 27 March 2013. The report of the Auditor General for the year under review was issued to the Chairman of the Sabha on 26 August 2014.

##### **1.2 Opinion**

In my opinion except for the effects on the financial statements of the matters referred to in paragraph 1.3 of my report the financial statements have been prepared in accordance with Generally Accepted Accounting Principles and give a true and fair view of the state of affairs of the Badulla Pradeshiya Sabha as at 31 December 2013 and the financial results of its operations and cash flows for the year then ended.

##### **1.3 Comments on Financial Statements**

###### **1.3.1 Non-compliance with the Sri Lanka Public Sector Accounting Standards**

The financial statements for the year under review prepared and submitted by the Sabha had not been prepared in accordance with the Sri Lanka Public Sector Accounting Standards.

###### **1.3.2 Accounting Deficiencies**

- (a.) Stamp fees on land transfers amounting to Rs.2,153,789 received in respect of the year under review had been removed from the revenue head of the year under review and credited to the accumulated fund and therefore the income for the year under review had been understated in the financial statements by Rs.2,153,789.
- (b.) According to the schedules received by the Sabha, court fines amounting to Rs.5,623,011 relating to the period January 2009 to December 2012 and stamp fees amounting to Rs.326,280 relating to the period October to December 2012 totaling Rs.5,949,291 was receivable as at 31 December of the year under review. However, only a sum of Rs.2,500,000 had been accounted under revenue debtors as court fines and stamp fees receivable and therefore, the balance of revenue debtors and the balance of the accumulated fund had been understated in the financial statements accumulated fund had been understated in the financial statements by Rs.3,449,291.

### **1.3.3 Accounts Receivable and Payable**

According to the financial statements presented, the value of the balances of accounts receivable as at 31 December of the year under review amounted to Rs.9,213,393 and the value of the balances of accounts payable amounted to Rs.6,613,497.

### **1.3.4 Lack of Evidence for Audit**

Land and Buildings valued at RS.1,463,000 could not be satisfactorily verified in audit due to non-submission of vesting orders, title deeds and Board of Survey Reports.

### **1.3.5 Non-compliance with Laws, Rules and Regulations**

Instances of non-compliance with laws, rules and regulations observed in audit are shown below.

<b><u>Reference to Laws, Rules, Regulations etc.</u></b>	<b><u>Non-compliance</u></b>
(a.) Rule 217 and 218 of the Pradeshiya Sabha (Financial and Administrative) Rules- 1988	- The Chairman had not taken action to carry out a survey once in every year in respect of all the lands and buildings owned by and used by the Sabha.
(b.) Rule 180 of the Pradeshiya Sabha (Financial and Administrative) Rules- 1988, Financial Regulations 880 of the Republic of Sri Lanka and the Letter No.2/☉/1 dated 24 March 2005 of the Chief Secretary of the Uwa Provincial Council.	- Seven officers who should keep security deposits had not kept deposits as such.
(c.) Section 1:6 and 4 of Chapter xxiv of the Establishments Code of the Republic of Sri Lanka	- Employees loans amounting to Rs.19,575 due from 10 employees who had served in the Sabha and transferred, retired and vacated the posts had not been recovered.

## **2. Financial Review**

### **2.1 Financial Results**

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Sabha for the year ended 31 December 2013 amounted to Rs.741,348 as

compared with the excess of revenue over recurrent expenditure amounting to Rs.678,400 for the preceding year, thus indicating an increase of Rs.62,948 in the financial result.

## 2.2 Analytical Financial Review

A net increase of Rs.62,948 was observed in the financial result for the year under review as compared with the preceding year. An analysis of this is shown below.

<u>Recurrent Revenue</u>	<u>2013</u>	<u>2012</u>	<u>Variance</u>	
	<u>Rs.</u>	<u>Rs.</u>	<u>Rs.</u>	
Rates and Taxes	2,792,435	2,840,403	(47,968)	
Lease Rent	438,412	2,016,795	(1,578,383)	
Licence Fees	264,280	252,115	12,165	
Service Charges	1,384,974	1,001,910	383,064	
Warrant Charges and Fines	2,507,537	2,698,586	(191,049)	
Other Revenue	643,913	491,878	152,035	
Revenue Aid	11,474,755	10,663,819	810,936	(459,200)
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<u>Recurrent Expenditure</u>				
Salaries and Allowances	14,167,946	13,551,899	(616,047)	
Travelling Expenses	269,381	216,538	(52,843)	
Supplies and Equipment	1,644,437	1,690,538	46,101	
Repairs and Maintenance of Capital Assets	554,025	623,191	69,166	
Transport, Utility and Other Services	1,893,056	2,345,478	452,422	
Payment of Interest, Dividends and Bonus	34,962	13,638	(21,324)	
Aid, Contributions and Subsidies	186,703	830,991	644,288	
Pensions, Pensionery Benefits and Gratuities	14,448	14,833	385	522,148
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			Net Increase	62,948
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## 2.3 Revenue Administration

### 2.3.1 Performance of Collection of Revenue

The progress of recovery of arrears as at beginning of the year under review was 56% and the progress of recovery of revenue billed during the year was 62.5%.

### **2.3.2 Rates and Taxes**

According to Section 134(2) of the Pradeshiya Sabha Act No.15 of 1987, different percentages of tax may be levied taking into consideration the development levels of each area. Nevertheless, rates at 12% is being recovered on all immovable properties on which the Sabha recovers taxes.

### **2.3.3 Court Fines and Stamp Fees**

Court fines and stamp fees amounting to Rs.2,500,000 had been receivable as at 31 December 2013 from the Chief Secretary of the Provincial Council and other authorities.

### **2.3.4 Other Revenue**

The following observations are made.

- (a.) Three telephone communication towers had been installed within the area of the Sabha. But, action had not been taken to levy by-laws in respect of operating such towers and recover charges.
- (b.) According to the provisions of the Extra-ordinary Gazette Notification of vesting the Udawela Water Supply Scheme operated by the Sabha to the National Water Supply and Drainage Board: the arrears of Rs.604,382 due to the Sabha from the consumers should be vested with the National Water Supply and Drainage Board and the said amount should be recovered from the above institution. But, it had not been recovered accordingly and had been shown under revenue in arrears of the Sabha.
- (c.) Action had not been taken in terms of Section 23 "a" of the National Environment Act No.47 of 1980 as amended by Act No.56 of 1988 and Act No.53 of 2000, to identify the activities carry out within the area of the Sabha that should obtain environmental licence.
- (d.) A part of a land owned by the Sabha had been given to the Divisional Engineer's Office, Badulla since January 2008 at a monthly rent of Rs.3,000 as decided by the Sabha, without entering into a formal agreement. Action had not been taken to recover the sum of Rs.150,000 due since then up to September 2013.

### 3. **Accountability and Good Governance**

#### **Budgetary Control**

Significant variances were observed between the budget prepared by the Sabha for the year under review and the actual data, thus indicating that the budget had not been made use of as an effective tool of control. Details are shown below.

<b><u>Recurrent Revenue</u></b>	<b><u>Budgeted</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b>	<b><u>Percentage of</u></b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>	<b><u>Variance %</u></b>
Rates and Taxes	779,908	2,792,434	2,012,526	258.0
Rent	514,737	438,412	76,325	14.8
Licence Fees	216,000	264,280	48,280	22.3
Service Charges	1,657,000	1,384,974	272,026	16.4
Warrant Charges and Fines	7,012,000	2,507,537	4,504,463	64.2
Other Revenue	610,000	643,913	33,913	5.5
Revenue Aid	11,118,000	11,474,755	356,755	3.2
Capital Aid	51,500,000	6,819,233	44,680,767	86.7
<b><u>Recurrent Expenditure</u></b>				
Salaries and Wages	14,318,000	14,167,945	150,055	1.0
Travelling Expenses	360,000	269,381	90,619	25.1
Supplies and Equipment	1,615,000	1,644,437	29,437	18
Repairs and Maintenance of Capital Assets	1,070,000	554,025	515,975	48.2
Transport and Utility Services	3,473,000	1,893,056	1,579,944	45.4
Payment of Interest , Dividends and Bonus	10,000	34,961	24,961	249.6
Aid, Contributions and Subsidies	435,000	186,703	248,297	57.0
Pensions, Pensionery Benefits and Gratuities	25,000	14,448	10,552	42.2
Capital Expenditure	52,000,000	8,713,527	43,286,473	83.2

### 3. **Systems and Controls**

Special attention of the Sabha is needed in respect of the following areas of systems and controls.

- (a.) Budgetary Control
- (b.) Revenue Administration